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# Maine State Housing Authority: Review of Certain Expenditures, 2012

Maine State Legislature

Office of Program Evaluation and Government Accountability

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FINAL
REPORT

# Maine State Housing Authority: Review of Certain Expenditures –Most Expenses Connected to Mission; Some Expense Types or Amounts May Be Unnecessary and Should Be Reconsidered

Report No. RR-MSHA-12

**Issues OPEGA noted during this review:**

- Supporting documentation for expense reimbursements and corporate credit card charges not always submitted timely and often lacked itemized receipts or specific explanation of business purpose. (pg. 18)
- Business purchases made on employees' personal credit cards created opportunity for personal gain and to circumvent purchasing controls. (pg. 20)
- Some expenses were coded to accounts that did not accurately reflect the nature of the expense. (pg. 21)
- Some expenses seemed only indirectly related to MaineHousing's mission and activities or may have been unnecessary. (pg. 22)

a report to the
Government Oversight Committee
from the
Office of Program Evaluation & Government Accountability
of the Maine State Legislature

May
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## ABOUT OPEGA & THE GOVERNMENT OVERSIGHT COMMITTEE

The Office of Program Evaluation and Government Accountability (OPEGA) was created by statute in 2003 to assist the Legislature in its oversight role by providing independent reviews of the agencies and programs of State Government. The Office began operation in January 2005. Oversight is an essential function because legislators need to know if current laws and appropriations are achieving intended results.

OPEGA is an independent staff unit overseen by the bipartisan joint legislative Government Oversight Committee (GOC). OPEGA's reviews are performed at the direction of the GOC. Independence, sufficient resources and the authorities granted to OPEGA and the GOC by the enacting statute are critical to OPEGA's ability to fully evaluate the efficiency and effectiveness of Maine government.

Requests for OPEGA reviews are considered by the Government Oversight Committee in accordance with a standard process. Requests must be made in writing and must be initiated or sponsored by a legislator. Individual legislators or citizens should review the process and FAQ that are posted on OPEGA's website at http://www.maine.gov/legis/opega/ProcessProducts.html. There is also a form there to help facilitate the GOC's consideration of the request. Legislative committees can request reviews directly through a written communication to the Government Oversight Committee.

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# Maine State Housing Authority: Review of Certain Expenditures - Most Expenses Connected to Mission; Some Expense Types or Amounts May Be Unnecessary and Should Be Reconsidered

## Introduction

The Maine Legislature's Office of Program Evaluation and Government Accountability (OPEGA) has completed a rapid response review of certain expenses of the Maine State Housing Authority (MaineHousing) from 2007 - 2011. The Government Oversight Committee (GOC) of the 125th Legislature assigned this project in January 2012 amid legislative and public concerns raised when MaineHousing released a listing of its vendors in response to a Freedom of Access Act request. The scope of the review was approved by the Committee prior to the review's initiation.

## OPEGA's Approach

OPEGA analyzed MaineHousing expenses and reviewed all corporate credit card statements for a five year period. We selected 1,037 transactions and examined the supporting documentation for each.

OPEGA was tasked with reviewing MaineHousing's expenditures for sponsorships, donations, and memberships as well as any travel and meal expenses, or other expenses where the nature of the vendor and the amount of the expense may raise questions as to reasonableness or necessity in relation to MaineHousing's mission and programs. This was not intended to be a comprehensive review of all MaineHousing expenditures, but rather a focused review of the specific expense areas identified as concerning by the GOC.

OPEGA analyzed MaineHousing's expenses and reviewed all statements for the two corporate credit cards in the period 2007 through 2011. Based on vendor type, we judgmentally selected 1,037 individual transactions totaling $4.3 million for detailed examination of supporting documentation. This sample included every expense reimbursement paid to the former Director as well as selected charges to her corporate credit card in that five year period. Her expense reimbursements combined with charges on the corporate credit card assigned to her totaled $78,183 over the five years.

We also included in our sample one or more payments (within the five year period) for 46 vendors raised in media articles or otherwise brought specifically to our attention as a concern by others. Table 5 in Appendix B lists the transactions for those vendors that were in our sample and describes the information gleaned from our review of supporting documentation or from discussions with MaineHousing staff.

In addition to reviewing supporting documentation, OPEGA also assessed the appropriateness of the expenditures in our sample in the context of recently enacted 5 MRSA, chapter 379, subchapter 3. This statute sets the expectation that quasi-independent State entities should limit expenditures to those that are reasonable and necessary to accomplish the entity's mission and carry out its duties. Criteria OPEGA used in assessing reasonableness and necessity included the nature of the expenses, as well as the overall magnitude and frequency of certain types of expenses.

We also assessed the expenditures in our sample for appropriateness, reasonableness and necessity in relation to MaineHousing's mission and activities.

There were no payments between 2007 and 2011 for 24 other vendors questioned in the media. These are listed in Table 4 in Appendix B. Given the age of these transactions, OPEGA decided not to pursue further information on these for the following reasons:

- MaineHousing had some records in archives for the years 2005 and 2006, but had no records available for prior years (nor would they be expected to). The transactions for this group of vendors were dated between 1998 and 2006, with most of the dollars associated with payments occurring between 1999 through 2002.
- Total payments for all vendors in this group was comparatively small, totaling $114,670, just 2.7% of the $4.3 million of more current transactions OPEGA did review.
- The vendors of concern with transactions between 1998 and 2006 appeared similar in nature to the more current vendors included in our sample. Consequently, we believe it highly likely that the nature of the associated expenses is also similar to those we examined in our sample.

There were public questions raised about an additional six vendors that were more about why a particular vendor was selected than about the nature of the expenditure. OPEGA did not address potential concerns about vendor selection in this rapid response review as they relate more directly to MaineHousing's overall procurement process which will be considered in the broader review of MaineHousing that is still on OPEGA's 2012 Work Plan. These six vendors are also listed in Appendix B.

See Appendix A for the complete scope and methods for this review.

## In Summary

This review's purpose was to determine if MaineHousing's funds were spent in inappropriate, unreasonable or unnecessary ways with a focus on certain types of expenses.

The general purpose of this rapid response review was to determine whether Maine State Housing Authority was spending its funds in ways that were inappropriate, or that appeared unreasonable or unnecessary in relation to MaineHousing's mission and activities. The primary focus was on certain types of expenses that had been concerning to legislators in a recently completed OPEGA review of another quasi-independent State agency, and which the Legislature addressed in legislation enacted in April 2012.

OPEGA judged substantially all of the $4.3 million in expenses examined to be generally consistent with MaineHousing's mission and activities. All expenses appeared business-related and there were no indications of fraud.

OPEGA judged substantially all of the $4.3 million sampled MaineHousing expenses to be generally consistent with its mission and primary activities. All the expenses appeared business-related and we found no indications of fraud. Those expenditures we noted as having an indirect or unclear connection to mission and activities, even after receiving MaineHousing's explanations, were related to certain sponsorships, organizational memberships, and conferences attended by MaineHousing staff.

We also found nearly all the dollar amounts associated with individual expenditures to be reasonable when broken down in detail, regardless of whether one was using a private entity or a State agency as a benchmark. For example, a meal expense that may have seemed high in total was reasonable when divided by the number of individuals the expense covered. The possible exceptions were three lodging expenses at between $300 and $400 per night incurred by the former Director on trips to large cities, and the purchase of artwork in conjunction with the renovation of MaineHousing's office building.

Nearly all dollar amounts for individual expenditures were deemed reasonable when detailed information about the expense was considered. Some expense categories, however, might be questioned as potentially unnecessary.

We did note, however, several expense categories that might be questioned as potentially unnecessary. These types of expenses are not typical for a State agency or are not incurred with the same frequency we observed at MaineHousing. We expect the MaineHousing Board of Commissioners and management will be reconsidering these expenses in conjunction with implementing the requirements of the recently enacted statute governing quasi-independent State entities. These expense categories are:

**Sponsorships and organizational memberships.** Over the five year period under review, MaineHousing spent approximately $127,611 on sponsorships or donations to 32 organizations and about another $330,800 for organizational and individual staff memberships to 41 organizations. The accumulated total overall for these types of expenses raises the question as to whether they are all really necessary, particularly since the Legislature has recently made clear its interest in limiting the use of quasi-governmental agency funds for these purposes.

**Out of state conferences.** The sample of expenditures OPEGA reviewed included expenses associated with a total of 89 conferences attended by 62 MaineHousing employees over the five year period, many of which were held out of state. The former Director and the Energy Special Projects Coordinator attended out of state conferences fairly frequently and MaineHousing sent contingents of employees to several of them. While there are benefits MaineHousing receives from having management and staff attend conferences, the apparent frequency of conference attendance in general raises the question of whether it is necessary to attend them all.

**Food and refreshments for employees.** MaineHousing has frequently provided food or refreshments for employee gatherings. Some gatherings were associated with specific business meetings and trainings, while others were for the purpose of recognizing or rewarding employees. A number of gatherings were offsite, thus also incurring a room charge. MaineHousing also pays for the coffee and creamer that is available to employees in

MaineHousing's office building. While such expenses are not uncommon for an organization that values and appreciates its employees, these types of benefits are typically not provided for employees of State agencies in the same frequency that we observed at MaineHousing. MaineHousing explained they have provided these benefits in the past in order to offset the fact that salaries paid to MaineHousing employees are typically intentionally set below market.

**Gift cards for employee bonuses.** From 2008 to 2011, MaineHousing distributed $57,250 in Hannaford gift cards to employees as bonuses, recognition gifts or give-aways at employee events. Each employee received $200 in gift cards in 2009 in lieu of raises and another $100 per employee was distributed in both 2008 and 2010 to show employee appreciation. OPEGA is not aware of any similar bonuses paid to State agency employees despite there being no salary increases and required furlough days over the last five years. Consequently, although the bonuses may be well deserved, the necessity of these expenses may be questioned.

**Business meals for MaineHousing management.** OPEGA's sample of expenses included at least $9,625 spent over the five year period on business meals for staff not in travel status. Outside parties were sometimes present at the meetings associated with the meals, but other meals were associated with meetings attended only by MaineHousing employees, primarily members of upper management. State agencies do not typically pay for business meals unless employees are in travel status, regardless of whether official business was conducted over the meal. Business meals among upper management at MaineHousing, however, appear to have been fairly common and we question whether they were truly necessary to conduct the Authority's business, particularly when no outside parties were in attendance.

OPEGA also identified several opportunities to improve MaineHousing's expenditure processing and supporting documentation.

In the course of this review, OPEGA also identified several opportunities to improve MaineHousing's expenditure processing and supporting documentation. These improvements would help ensure transparency, facilitate compliance with IRS regulations and the recently enacted statute, and reduce risk of employees personally benefiting while conducting MaineHousing business.

OPEGA identified the following issues during the course of this review. See pages 18 - 24 for further discussion and our recommendations.

- Supporting documentation for expense reimbursements and corporate credit card charges not always submitted timely and often lacked itemized receipts or specific explanation of business purpose.
- Business purchases made on employees' personal credit cards created opportunity for personal gain and to circumvent purchasing controls.
- Some expenses were coded to accounts that did not accurately reflect the nature of the expense.
- Some expenses seemed only indirectly related to MaineHousing's mission and activities or may have been unnecessary.

# Background

MaineHousing is a quasi-independent State agency established under 30-A MRSA, chapter 201. It is empowered to issue bonds as needed and to act as the public agency of the State for the purpose of accepting federal funds for various federal housing and energy programs. A brief overview of MaineHousing's mission and primary programs, as well as the recently enacted statutory provisions governing quasi-independent State entities provides context for the expenditures reviewed and discussed in this report.

MaineHousing defines its mission as assisting Mainers to obtain and maintain decent, safe, affordable housing and services. Its primary business is mortgage financing and it administers various federally or other funded programs on behalf of the State.

## MaineHousing's Mission and Primary Activities

MaineHousing defines its mission as assisting "Maine people to obtain and maintain decent, safe, affordable housing and services suitable to their unique housing needs." MaineHousing describes its primary business as mortgage financing. In this capacity, the Authority provides loans to qualified first-time homebuyers and to developers for developing rental housing that will be offered at below market rents to Maine's low-income residents. MaineHousing also administers various housing and energy related programs on behalf of the State of Maine. According to MaineHousing, it currently administers over 30 different federally or other funded programs and uses numerous business partners from both the private and non-profit sectors to deliver its programs.

MaineHousing's annual expenses are about $270 million with its current operating budget being about $14 million. Revenue used to cover operating expenses comes primarily from mortgage lending activities and fees collected for administering federal programs. MaineHousing received only $374,000 from the State's General Fund in FY11.

MaineHousing has assets in excess of $1.9 billion and its annual revenues and expenses are approximately $270 million each. It has a current annual operating budget of approximately $14 million. The Authority's primary sources of revenue for its operating expenses come from its mortgage lending activities and from fees collected for the administration of federal programs. MaineHousing received only $374,000 from the State's General Fund in fiscal year 2011.

MaineHousing's primary programs include:

Homebuyer Assistance – providing low fixed rate mortgages and other assistance to help make homeownership affordable.

Home Repair – providing assistance to low-income homeowners who cannot afford necessary home repairs.

Lead Hazard Control – providing affordable loans and grants to make lower-income homes lead safe through paint removal or stabilization or through replacement of windows and doors. Loan amounts can be forgiven after three years for properties that have not been refinanced or sold during that time and for rentals with affordable units.

Central Heating Improvement – providing grants to repair or replace central heating systems that serve low-income households.

Disaster Assistance Loans – providing affordable loans and home replacement mortgages to Mainers whose homes are damaged or destroyed in a declared natural disaster.

Weatherization – providing grants to low-income homeowners and renters to improve home energy efficiency.

Rental Assistance – providing rental assistance in the form of Section 8 or housing choice vouchers, subsidized apartments, or short term rental assistance for people who are homeless.

Emergency Shelter Funding – providing grants to emergency shelters serving people who are homeless.

Low-Income Home Energy Assistance – (commonly called LIHEAP or HEAP Fuel Assistance) providing money to low-income homeowners and renters to help pay heating costs.

Low-Income Assistance Plan – helping low-income homeowners and renters with their electric utility bills.

Housing Development – encouraging private development of affordable rental housing through low-income housing tax credits, development loans, direct development subsidies, affordable housing tax increment financing, and options to restructure debt.

### Recently Enacted Statutory Provisions Impacting Quasi-independent State Entities

Recently enacted statutory provisions require the governing body of a quasi-independent State entity to ensure expenditures are limited to those necessary to carry out the entity's mission and activities. OPEGA has used the expectations set forth in this statute in assessing MaineHousing's expenditures.

LD 1843 was passed by the Legislature in late March 2012 and became law on April 12, 2012 as Public Law 2011, chapter 616. It amends 5 MRSA, chapter 379 to include a new subchapter focused on financial policies and procedures, and governance structures, for existing and future quasi-independent State entities.[1]

Pertinent to this review, the new 5 MRSA §12022 requires the governing body of any quasi-independent State entity to ensure the entity's expenditures are limited to those necessary to carry out the entity's duties consistent with its authorizing law. This specific statutory charge did not exist during the time period associated with the transactions OPEGA reviewed. Past experience indicates, however, that this language is reflective of a general expectation held by legislators and the public prior to 2012. Consequently, it is from this perspective that we have assessed MaineHousing's expenditures in this review.

[1] 5 MRSA §12021-5 defines "quasi-independent State entity" as an organization that has been established by the Legislature as an independent board, commission or agency to fulfill governmental purposes and that receives revenues that are derived, in whole or part, from federal or state taxes and fees.

The new statute also requires MaineHousing to establish and implement certain policies and procedures by July 2013 that will address some expense types OPEGA reviewed.

The new statute also requires that certain entities, including MaineHousing, establish and implement written policies and procedures addressing contributions[2] and travel, meal and entertainment expenses. The new policies, which are to be implemented by July 2013, are expected to:

- require these expenses be budgeted and accounted for separately from other expenditures to facilitate monitoring and reporting;
- establish requirements for maintaining supporting documentation;
- require the governing body to approve the annual budget for these expenses and be provided periodic reports on actual funds expended;
- describe the persons for whom the entity will pay travel, meal and entertainment expenses and specify when those costs will be paid; and
- establish criteria for contributions.

The provisions in §12023 also require the specified entities to submit certain reports to the Legislature. Governing bodies must submit a one-time report to the Legislature on the adoption and implementation status of written policies and procedures by February 2013 that includes a description of the measures to be used for monitoring compliance with the policies. Subsequent annual reports to the Legislature beginning February 2014 are required to include a list of all contributions over $1,000 made in the preceding year, and a description of any changes made to the written policies and procedures implemented to comply with these statutory requirements.

## Sponsorships, Donations and Memberships

OPEGA estimates that at least $458,411 of MaineHousing's expenses over the five year period was for contributions as defined in the newly enacted statute.

OPEGA identified 136 transactions in our sample, totaling $291,697, as contributions using the definition established in the newly enacted 5 MRSA §12021[2]. We then further explored all MaineHousing payments during the five year period to those vendors; these payments totaled $608,661. Some portion of that amount, however, was for trainings or educational materials purchased from organizations MaineHousing and its employees were members of. OPEGA estimates that of the $608,661, at least $458,411 was for contributions (specifically sponsorships, donations, and memberships) as described in the report subsections that follow.

MaineHousing had no written policy guidance during the time period covered by this review on what organizations the Authority would support through sponsorships, donations or organizational memberships. There appears to be about $124,070 budgeted annually for these types of expenditures. According to MaineHousing, sponsorships and donations are generally connected to events or publications that support MaineHousing's mission of safe, affordable, energy efficient housing or that increase outreach to minorities and underserved groups as

[2] 5 MRSA §12021 defines "contributions" as payments for membership dues and fees, gifts, donations and sponsorships, including those that result in public advertisement of the entity.

MaineHousing explained that contributions are generally connected to its mission or outreach activities required by federal programs. OPEGA noted that some contributions had an indirect or unclear connection to MaineHousing's mission and questions whether they were all necessary.

required by federal programs. Decisions about sponsorships and donations were made primarily by the former Director. Decisions on memberships were made by the former Director or Deputy Directors based on similar informal policy and/or in accordance with MaineHousing's professional development policy. That policy, in place since 1998, addresses when the Authority will cover membership fees and dues for individual employees.

Like all other quasi-independent State agencies, MaineHousing will be expected to comply with newly enacted 5 MRSA §12022-4 by developing a Board-approved policy and process designed to limit contributions to those that are reasonable and necessary. MaineHousing will also have to report annually to the Legislature on expenditures made for these purposes and the organizations being supported. (See Recommendation 4.)

### Sponsorships and Donations

OPEGA estimates that $127,611 of the total contributions we identified between 2007 and 2011 were for sponsorships and donations to 32 organizations. Some of these were associated with MaineHousing having an exhibit booth or an advertisement in a program for a certain event.

OPEGA estimates MaineHousing incurred approximately $127,611 in expenses for sponsorships or donations to 32 charitable and non-charitable organizations between 2007 and 2011. Table 1 shows the amounts paid to vendors for sponsorships and donations from the years 2007 through 2011.

Some of these expenses were associated with MaineHousing having an exhibit booth or purchasing an advertisement in an event program – activities MaineHousing describes as outreach or marketing efforts required by some of the federal programs they administer. While MaineHousing does not consider these expenses to be sponsorships, OPEGA has included them because they meet the definition of contribution under the new statute.

OPEGA does not suggest that all donations or sponsorships are necessarily questionable uses of funds, but does note the Legislature has recently made clear its interest in limiting the use of quasi-governmental agency funds for these purposes. MaineHousing's accumulated total overall for these type of expenses raises the question as to whether they are all really necessary. In addition, some of MaineHousing's sponsorships or donations went to organizations that did not appear to have a direct or clear connection to MaineHousing's mission. (See Recommendation 4.)

| Table 1. Sponsorships and Donations by Vendor, 2007 – 2011 | | | | | | |
|---|---|---|---|---|---|---|
| Organization | 2007 | 2008 | 2009 | 2010 | 2011 | TOTAL |
| America's Best Shows (as exhibitor for Maine Manufactured Housing Show) | $497 | $826 | $494 | $494 | $798 | $3,108 |
| Children's Discovery Museum | | $250 | | | | $250 |
| CONEG Policy Research Center | | $6,500 | $3,000 | $3,000 | | $12,500 |
| Construction Expo Of Maine | $350 | $350 | $350 | $350 | $350 | $1,750 |
| EqualityMaine Foundation | | | | $200 | | $200 |
| Great Falls Balloon Festival | | | | $350 | | $350 |
| GrowSmart Maine | | $1,000 | | | | $1,000 |
| Harraseeket Inn (for The New England Housing Finance Agency conference) | | | $8,393 | | | $8,393 |
| Holocaust & Human Rights Center of Maine | | | | | $100 | $100 |
| Kennebec Valley Council of Governments | | $35,500 | | | | $35,500 |
| Maine Association of Community Banks | $1,000 | $1,400 | | | | $2,400 |
| Maine Association of Realtors | $350 | $350 | $350 | $350 | $350 | $1,750 |
| Maine Development Foundation | $500 | $500 | $750 | $750 | | $2,500 |
| Maine Health Care Association | $325 | | | | | $325 |
| Maine Indoor Air Quality Council | | $200 | | $1,500 | | $1,700 |
| Maine Initiatives | $500 | $500 | $250 | $500 | | $1,750 |
| Maine Inside Out | | | $8,350 | | $6,900 | $15,250 |
| Maine Municipal Association | $160 | $80 | $200 | $160 | $200 | $800 |
| Maine Peoples Resource Center | | | $250 | | | $250 |
| Maine Women's Fund | $2,000 | | | | | $2,000 |
| Maine Women's Journal | $800 | | | | | $800 |
| Maine Chapter Physicians for Social Responsibility | | | $1,000 | | | $1,000 |
| Maine Higher Education Assistance Foundation Golf Tournament | $500 | $500 | | | | $1,000 |
| Maine Real Estate Managers Association | | $1,500 | $500 | | | $2,000 |
| NAACP Portland Branch | $575 | $575 | $575 | $500 | | $2,225 |
| New England Residential Service Coordinators | $2,500 | $2,500 | $2,500 | $2,500 | $5,500 | $15,500 |
| Northern New England Community Action Conference | | $1,000 | $1,000 | $1,000 | $1,000 | $4,000 |
| Penquis (Knox/Waldo) – Knox County Homeless Conference | | | | $250 | | $250 |
| Sierra Club Foundation | | | $100 | | | $100 |
| Southern Midcoast Maine Chamber of Commerce | | $1,250 | $1,250 | $100 | | $2,600 |
| Women In Need Industries – Festival of Nations | $500 | $1,000 | $2,500 | $540 | $570 | $5,110 |
| Women Unlimited | $650 | | | | $500 | $1,150 |
| Total | $11,207 | $55,781 | $31,812 | $12,544 | $16,268 | $127,611 |

Source: OPEGA's analysis of MaineHousing's expenditure data. Includes only vendors and dollar amounts that OPEGA could readily identify as sponsorships or donations based on information in the MaineHousing expenditure data file or supporting documentation.

Table 2. Organizational and Individual Memberships by Vendor, 2007 - 2011

| Organization | 2007 | 2008 | 2009 | 2010 | 2011 | TOTAL |
|---|---|---|---|---|---|---|
| American Association of Service Coordinators | | $150 | | | | $150 |
| American Bar Association | $804 | $769 | $824 | | | $2,396 |
| American Institute of Certified Public Accountants | $380 | $400 | | $205 | $215 | $1,200 |
| American Society of Civil Engineers | | | | | $220 | $220 |
| Association of Certified Fraud Examiners | $105 | $125 | $150 | | $350 | $730 |
| Association of Government Accountants | $550 | $600 | $800 | $500 | $400 | $2,850 |
| Building Performance Institute | | | $250 | | | $250 |
| Council of State Community Development Agencies | | $2,500 | | | | $2,500 |
| GrowSmart Maine | $500 | | | | | $500 |
| Home Builders Association of Maine | $400 | | $400 | | | $800 |
| Institute of Internal Auditors | $115 | $390 | | $200 | | $705 |
| Kennebec Valley Board of Realtors | $312 | | $206 | $331 | $181 | $1,030 |
| Maine Association of Community Banks | | $750 | | | | $750 |
| Maine Association of General Contractors | | | $1,126 | | | $1,126 |
| Maine Association of Interdependent Neighborhoods | | | $100 | | | $100 |
| Maine Association of Mortgage Professionals | | | | | $350 | $350 |
| Maine Bankers Association | $750 | $775 | | | | $1,525 |
| Maine Business for Social Responsibility | $350 | $350 | | | | $700 |
| Maine Center for Economic Policy | | $500 | | | $500 | $1,000 |
| Maine Development Foundation | $800 | $1,025 | $725 | $450 | $450 | $3,450 |
| Maine Public Relations Council | | | $115 | $75 | $75 | $265 |
| Maine Real Estate & Development Association | $5,000 | | $5,000 | | $5,000 | $15,000 |
| Maine Resident Service Coordinators Association | $2,000 | | | | | $2,000 |
| Maine State Bar Association | $980 | $1,000 | $1,000 | $745 | $1,040 | $4,765 |
| Maine State Chamber of Commerce | $500 | | | | | $500 |
| Mortgage Bankers Association | | | $1,190 | | $1,220 | $2,410 |
| National Affordable Housing Management Association | | $950 | $950 | | $950 | $2,850 |
| National Association for State Community Services Programs | $1,150 | $1,603 | $1,603 | | $3,207 | $7,563 |
| National Association of Women in Construction | | | | $434 | | $434 |
| National Coalition for The Homeless | $100 | $200 | | | | $300 |
| National Council of State Housing Agencies | $22,594 | $24,648 | $26,702 | $26,702 | $26,702 | $127,348 |
| National Energy Assistance Director's Association | | | | $3,300 | $3,500 | $6,800 |
| National Fire Protection Association | $300 | $420 | | | | $720 |
| National Housing & Rehabilitation Association | $385 | $450 | $450 | $450 | | $1,735 |
| National Leased Housing Association | | $500 | $500 | $500 | $500 | $2,000 |
| National Low Income Housing Coalition | | $2,000 | $2,000 | | $2,000 | $6,000 |
| New England Regional Homeless Management Information System | | | | | $150 | $150 |
| Northern New England Housing Investment Fund | $25,000 | $25,000 | $25,000 | $25,000 | $25,000 | $125,000 |
| Project Management Institute | | $144 | $144 | | | $288 |
| Society for Human Resource Management | $160 | | | | $180 | $340 |
| United States Green Building Council | $1,000 | | | | $1,000 | $2,000 |
| **Total** | **$64,234** | **$65,249** | **$69,235** | **$58,892** | **$73,190** | **$330,800** |

Source: OPEGA's analysis of MaineHousing's expenditure data. Includes only vendors and dollar amounts that OPEGA could readily identify as memberships based on information in the MaineHousing expenditure data file or supporting documentation.

### Memberships

OPEGA estimates another $330,800 of the contributions over the five year period were in the form of memberships to 41 organizations. Some of these were organizational memberships and others were individual staff memberships in accordance with MaineHousing's professional development policy.

MaineHousing is also a member of some organizations and pays its staff's membership dues to others. The Authority spent an estimated $330,800 between 2007 and 2011 for either organizational or individual memberships to 41 different organizations. Table 2 shows the amounts paid for memberships to each organization by year.

According to MaineHousing's professional development policy, individual memberships may be paid by the Authority if the membership is necessary for effective operations and approved by the responsible Department Director. MaineHousing management describes a tradition of paying employees' membership dues as long as the membership is related to the employees' work. The total amount spent on individual staff memberships was minimal in relation to MaineHousing's total expenditures. All the individual staff memberships OPEGA identified appear to provide some value to MaineHousing and its staff in terms of professional development or networking opportunities.

MaineHousing also paid for agency memberships to at least 29 different entities over the five year period. The largest memberships were to National Council of State Housing Agencies and Northern New England Housing Investment Fund, about $26,702 and $25,000 each year respectively. While all of these entities have some tie to MaineHousing's mission and activities, several of the organizations seemed less directly related to MaineHousing's mission and activities than others and one may question whether all the organizational memberships are necessary. (See Recommendation 4.)

## Travel and Meals

Some travel and meal expenses OPEGA reviewed were associated with staff performing their regular daily activities. Other expenses were for more discretionary purposes that might be questioned as to their necessity.

OPEGA reviewed a sample of travel reimbursements made to staff, a sample of payments made directly to vendors for travel or meal related expenses, and all of the expenses incurred by the former Director. The expenses reviewed included mileage reimbursement, lodging and meals for staff who must travel in order to perform their work—such as inspectors who visit apartment units all over the state—and which appeared reasonable and necessary in relation to MaineHousing's mission and activities.

We also observed travel and meal expenses incurred for more discretionary purposes that might be questioned as to their necessity, particularly when compared to what is allowed and/or incurred by State agencies. Some of these more discretionary expenses were associated with staff training, department meetings or all staff events as described on page 15. Others were associated with staff attendance at conferences and meetings in and out of state and are described in the sections below.

Approximately $50,000 in business-related travel and meal expenses was incurred by the former Director over the five year period OPEGA reviewed. This total includes expenses for about 40 out of state business trips and two international trips. One international trip was to Denmark to gather information for MaineHousing's carbon project. The other international trip was as a participant in the Governor's Trade Mission to Japan and does not appear to have been directly connected to MaineHousing's mission and programs. MaineHousing explained that she participated at the Governor's request to discuss energy and housing issues. (See Recommendation 4.)

The former Director incurred about $50,000 in business-related travel and meal expenses between 2007 and 2011. This includes expenses for about 40 out of state trips and two international trips. OPEGA found the dollar amounts for individual expenses generally reasonable.

The dollar amounts for individual expenses incurred by the former Director appeared reasonable with the exception, perhaps, of three lodging expenses associated with meetings or conferences in New York, Boston and Washington, DC that ranged from $300 to $400 per night including taxes. OPEGA also noted that, despite having a corporate credit card, the former Director often incurred MaineHousing travel and meal expenses on her personal credit card and then sought reimbursement. This practice created an opportunity for personal gain from business use and resulted in four unintentional duplicate payments. (See Recommendation 2.)

### Conferences Attended by MaineHousing Staff

OPEGA's sample included approximately $115,069 in expenses for registration fees, travel and meal costs related to sending employees to conferences during 2007 - 2011. This total includes $22,701 of expenses incurred by the former Director previously discussed. Most of the conferences in our sample were out of state, so travel and lodging costs make up the majority of the total.

Approximately $115,069 of the expenses in OPEGA's sample was related to 89 conferences attended by MaineHousing staff over the five year period, many of which were out of state.

These expenses were associated with a total of 89 conferences attended by 62 MaineHousing employees over the five year period as summarized in Table 3. The expenses captured in OPEGA's sample did not include all expenses for all employees identified as having attended these conferences.

The former Director and the Energy Special Projects Coordinator attended conferences fairly frequently, with the former Director attending 27 conferences identified in our sample and the Projects Coordinator attending 16. MaineHousing's explanations of the benefit received for attending these conferences indicated that the Energy Special Projects Coordinator was actually serving as Chairperson or a presenter at several of the conferences she attended.

We also observed that MaineHousing sent a contingent of more than four employees to seven conferences, at least three of which were out of state. Two of those out of state conferences, in 2008 and 2009, were put on by National Council of State Housing Agencies (NCSHA), an organization that MaineHousing pays dues to (see Table 2) and actively participates in. NCSHA is MaineHousing's primary trade association.

Table 3. Summary of Conferences Attended as Identified in OPEGA's Sample

| Year | # Conferences Attended | # Staff Attending 1 or More | Expenses in Sample |
|---|---|---|---|
| 2007 | 17 | 24 | $16,556 |
| 2008 | 15 | 16 | $22,321 |
| 2009 | 17 | 14 | $19,753 |
| 2010 | 18 | 24 | $27,286 |
| 2011 | 22 | 39 | $29,151 |
| All Years | 89 | 62 | $115,069 |

MaineHousing receives several benefits from staff attending conferences. However, some conferences seemed only indirectly related to the mission, and the frequency of conference attendance in general may raise questions as to whether it is necessary to attend them all.

There are a variety of benefits that MaineHousing receives through having management and staff attend conferences, including staying abreast of current issues, strategies and federal policies related to the programs MaineHousing administers. MaineHousing also explained that two of the conferences were attended because the federal grant received from the Department of Energy (DOE) specifically included funds and encouragement from DOE to do so. OPEGA notes, however, that some of the conferences seemed only indirectly connected to MaineHousing's mission and activities, and the apparent frequency of conference attendance in general may raise questions as to whether it is necessary to attend them all. (Recommendation 4.)

We also noted that the expenses associated with individual conferences appeared reasonable and were generally supported by some level of detailed documentation. Itemized receipts for lodging, airfare and meals, however, were not always provided. (See Recommendation 1.)

### Travel and Meals for Business Meetings

OPEGA's sample also included $26,316 in expenses for out of state travel to other business meetings and we identified another $9,625 in expenses for business meals when staff was not in travel status. These expenses were typically incurred by upper management.

Another $26,316 of expenses in the sample OPEGA took from 2007 to 2011 was for out of state travel for other business meetings. Many of these expenses were associated with the former Director, or Deputy Director, traveling to meetings of organizations to which MaineHousing belongs. About $17,178 of these expenses were incurred by the former Director.

Other expenses were related to the Energy Special Projects Coordinator who is president of a housing related organization, requiring her to attend out of state events and meetings in Washington D.C. MaineHousing believes having a nationally recognized expert on their staff is valuable and justifies the associated cost because her role has helped influence federal policy to MaineHousing's benefit.

We also identified at least $9,625 spent over the five years on business meals for staff not in travel status. These business meals were typically attended by upper management and were often not supported by itemized receipts or documentation that indicated the business purpose associated with the meal. Documentation sometimes noted that the meal was for a meeting with an outside party,

These expenses all appeared business-related and were generally reasonable. However, they were often not supported by itemized receipts or specific descriptions of business purpose.

but did not specify the purpose or subject of the meeting. Other meals were associated with meetings attended only by MaineHousing employees, primarily members of upper management, and it was unclear from the supporting documentation why the meals were paid by MaineHousing. Based on the documentation we reviewed and further explanations we received from MaineHousing, the expenses do all appear to be business-related.

The former Director, in particular, frequently incurred charges, or was reimbursed for, meals while she was not traveling and when no business purpose was documented. About $3,750 of the $9,625 in business meal expenses were charged by, or reimbursed to, her. The cost of these meals was generally reasonable given the number of individuals documented as being covered by the expense. Where itemized receipts were included OPEGA could also see that MaineHousing did not pay for alcohol or other inappropriate items. (See Recommendation 1.)

MaineHousing has a written Business Expense policy that allows employees to be reimbursed for reasonable business expenses incurred in the course of business travel, i.e. lodging, meals, and transportation. The policy does not, however, address whether and when MaineHousing will pay, or reimburse, for business meals when an employee is not traveling, nor what documentation is required in these situations.

State agencies do not typically pay for non-travel business meals and OPEGA questions whether it is really necessary for MaineHousing to do so.

OPEGA notes that State agencies do not typically pay for meals for their staff unless they are in travel status, regardless of whether official business was conducted over the meal. MaineHousing management tells us that employees there were generally not allowed reimbursements for non-travel business meals either unless they were related to meetings with outside parties for the conduct of MaineHousing business. Nonetheless, business meals among upper management seem to have been common and we question whether they were truly necessary to conduct the Authority's business, particularly when no outside parties were in attendance. (See Recommendation 4.)

## Staff Recognition, Incentives and Professional Development ——

Over $309,409 in OPEGA's sample was spent on professional development, wellness incentives and recognition and appreciation benefits for staff and board members. OPEGA questions whether some of the expenses were necessary uses of MaineHousing funds.

OPEGA identified $309,409 spent over the five year period on MaineHousing employees or board members for purposes of training and professional development, teambuilding, recognition and appreciation, and wellness incentives. This total includes meals and refreshments that are in addition to the expenses discussed in the Travel and Meals section on page 11. All of these expenses could be seen as perfectly reasonable for a private business. However, OPEGA questions whether some of them were absolutely necessary uses of MaineHousing funds, particularly since some of the associated benefits are not provided to employees of State agencies. (See Recommendation 4.)

## Training and Tuition

Of this amount, about $134,052 was for staff training and tuition reimbursement. Most training appeared technical in nature and directly related to knowledge and skills needed for employees' current jobs. Other training was more for general professional development.

Approximately $134,052 of the expenses in our sample was for training and professional development for MaineHousing employees beyond the $115,069 in conference costs discussed in the previous section. Expenses in this category include tuition reimbursement as well as registration fees, travel and meals for training events in and out of state. [3]

Of the total amount in this category, $27,608 was spent on tuition reimbursement for MaineHousing staff. MaineHousing's professional development policy allows tuition reimbursement for courses directly related to employees' jobs or for courses from an accredited school that are part of a degree program directly related to the employees' career paths. The tuition reimbursements OPEGA reviewed were in compliance with this policy.

OPEGA's sample of expenses also included another estimated $106,444 for staff trainings. In many cases, the training appeared to be technical in nature and directly related to knowledge or skills needed for employees' current jobs. Other training, however, was more in the category of general professional development such as communications and presentation skills, leadership and diversity trainings.

Training and professional development is clearly encouraged by MaineHousing's professional development policy established in 1998,[4] and many organizations tout the benefits they receive in making professional development investments in their workforce. This is an expense area, however, that State agencies have had to drastically limit for at least the past five years due to resource constraints. Consequently, some may question MaineHousing's level of expenses for training and development over this period.

## Department Meetings and All Staff Events

Another $44,176 was expended over the five year period on department meetings, all staff events and the like held for training, team building, planning, and employee recognition purposes. Expenses included meals and refreshments, room charges for offsite events and other costs.

OPEGA observed that MaineHousing fairly frequently incurs expenses for meals and refreshments associated with meetings or events for MaineHousing staff or board members. Examples include:

- department staff meetings and team building days;
- board meetings and orientations;
- annual All Staff Day, Summer Picnic and Office Clean Up Day;
- all staff breakfasts;
- holiday parties; and
- retirement, birthday and project completion celebrations.

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[3]MaineHousing also provides certain training to participants and partners in some of its programs. OPEGA's sample included another estimated $153,187 in expenses for these non-employee training efforts.

[4]MaineHousing has also formally adopted the Maine State Government Code of Ethics and Conduct established by Executive Order 10 FY88/89 which encourages "the professional development of associates and those seeking to enter the field of public administration in order to provide effective and responsible government to the citizens of Maine".

State agencies may occasionally incur similar expense for training and recognition events but not with the frequency we observed at MaineHousing.

We identified $44,176 in our sample that was expended on such meetings and events over the five years, which also included room charges for events held offsite and other items (decorations, tents and give-aways) for All Staff Days and Summer Picnics. Documentation supporting the related invoices, as well as some formal agendas and explanations provided by MaineHousing, indicate that the business purposes associated with these expenses were a mixture of training and professional development, general team building, employee recognition and program planning. MaineHousing further explained that it provides these and other benefits to employees to make up for the fact that employee salaries have traditionally and intentionally been kept below market.

OPEGA acknowledges that State agencies may occasionally provide meals or refreshments for some meetings or all staff recognition and training events. We also note that the expenditures for any particular meeting or event did not seem unreasonable or extravagant. Nonetheless, the frequency with which these expenses were incurred cause us to question whether they were all truly necessary. (See Recommendation 4.)

### Employee Awards, Gifts and Bonuses

OPEGA also identified $72,473 in expenses for service awards, bonuses, gifts and flowers given to employees or board members from 2007-2011. These expenses included $59,000 in Hannaford gift cards most of which were distributed to employees from 2008 – 2010.

OPEGA identified $72,473 in expenses for service awards, bonuses, gifts, flowers and coffee given to recognize and express appreciation for employees or board members from 2007 to 2011. Of this total, $59,000 was spent on Hannaford gift cards with Hannaford providing an additional $2,250 in bonus cards at no cost to MaineHousing. Each employee received $200 in gift cards in 2009 in lieu of raises and another $100 per employee was distributed in both 2008 and 2010 to show employee appreciation. An additional $650 in gift cards was distributed as give-aways at employee events.

The documentation we reviewed detailed the distribution of nearly all the gift cards to employees. We counted the remaining gift cards, totaling $4,000, locked in a file cabinet at MaineHousing headquarters and, thereby, were able to confirm that all gift cards purchased were accounted for.

Expenses for service awards, flowers and other gifts to employees or board members totaled $9,074. This amount included $2,063 in purchases of coffee and creamer that are regularly provided free of charge to employees in MaineHousing's business office. OPEGA notes that this employee benefit in particular is not typical of State agencies.

<u>Additional Hannaford Gift Cards</u>

MaineHousing told OPEGA they also purchased $10,008 in $18 Hannaford gift cards in January 2012 as incentives for clients to participate in the Energy Education program. These gift cards were distributed to participants by MaineHousing's community action program (CAP) partners. MaineHousing took steps to limit the potential for misuse of these gift cards by requiring the CAP agencies to track participant names and obtain signed receipts.

OPEGA obtained the lists of participant names and matched samples of them to the signed receipts. We also counted the unused gift certificates located in the locked file cabinet at MaineHousing. We are comfortable that all of these gift cards are also accounted for.

The total expenses in this category also included $4,669 for group rate tickets to FunTown, Portland Seadogs and Portland Pirates games that employees had paid MaineHousing for.

An additional $4,669 was spent on group rate tickets to FunTown SplashTown, Portland Seadogs or Portland Pirates games. Employees placed orders and paid MaineHousing for the tickets in advance and then MaineHousing generated one check to the vendor in order to receive the group discount. MaineHousing had documentation showing the employee purchases and OPEGA was able to confirm that MaineHousing was fully reimbursed by employees for all of these group rate tickets. Since MaineHousing was fully reimbursed by employees for these costs, OPEGA does not find these expenditures questionable.

### Wellness Incentives

Lastly, OPEGA's sample included $3,867 in wellness-related expenses under MaineHousing's ActWell program. We then queried MaineHousing's entire expenditure data file to identify all transactions with the term "ActWell" in one of the descriptive data fields because MaineHousing has no specific account code assigned for expenses of this type in its financial records. (See Recommendation 3.)

Lastly, OPEGA identified about $54,708 spent on MaineHousing's ActWell program over the five year period. Under this program, in place since 1999, employees can receive reimbursements for participating in wellness activities up to a set maximum amount per employee per year.

Based on this query, we estimate that MaineHousing spent about $54,708 on the ActWell program over the five year period 2007 – 2011. MaineHousing states they currently budget $16,800 annually for ActWell Healthy Living expenses. Under this program, employees can receive quarterly reimbursements for wellness activities like exercise, weight loss and smoking cessation programs, up to a maximum annual amount, currently set at $280 per employee.

Other ActWell program expenses we observed included healthy snacks for employees at ActWell Fall Harvest events and sponsorship of a Weight Watchers session. MaineHousing budgets $5,000 per year for this portion of the program. Staff hold fundraisers such as bake sales to cover any additional annual costs.

MaineHousing has a specific policy for the ActWell program which has been in place since 1999. MaineHousing maintains that this program is cost-beneficial as it has resulted in limiting increases in health insurance costs and workers' compensation premiums, as well as a decline in worker's compensation claims. OPEGA notes that State agency employees also have opportunities for a variety of wellness incentives and benefits through programs offered by Wellness Works Maine.

# Recommendations

1

### *MaineHousing Should Require Timely Submission and More Detailed Support for Expense Reimbursements and Corporate Credit Card Charges*

OPEGA reviewed 198 expense reimbursements to MaineHousing employees, including all of those paid to the former Director in the period 2007 – 2011. In addition, we reviewed all monthly statements for MaineHousing's two corporate credit cards in that five year period. One of the cards was assigned to the former Director and the other is held by the Controller to be used for purchases that can most efficiently be accomplished using a credit card.

MaineHousing's finance department requires, and reviews, supporting documentation for all employee expense reimbursements and corporate credit card charges. MaineHousing also has a policy stipulating employees submit expenses within 30 days or risk forfeiting reimbursement. Employee expense reimbursements are also reviewed and approved by the responsible department managers. Expense reimbursements and corporate card charges for MaineHousing's Director are reviewed and approved by MaineHousing's Internal Audit Manager.

OPEGA found supporting documents were generally available for all transactions and that receipts often included notes about what was purchased. The supporting documentation, however, often did not include any itemized detail. Specific descriptions of business purposes were also often lacking for expenses that were not clearly associated with attendance at conferences and training. Examples include:

- restaurant receipts for meal expenses that showed only the total charge rather than the itemization of the meals and beverages purchased;
- reimbursed expenses supported only by a copy of the employee's personal credit card statement showing the total charge rather than detailed receipts or statements like airfare itineraries or hotel bills; and
- notations on supporting receipts listing the individuals present or general descriptions such as "department luncheon" but with little other detail.

OPEGA found the lack of detailed business purposes and itemization made it difficult to assess whether certain expenses were appropriate, reasonable and necessary uses of MaineHousing funds. We did find the total dollar amounts associated with these expenses reasonable and, where itemized receipts were included, we could see that the items MaineHousing paid for did not include alcohol or other inappropriate items. In those instances where there was insufficient detail about what was purchased or the associated business purpose, OPEGA sought further explanations from MaineHousing. Based on the documentation we reviewed and these explanations, the expense reimbursements and corporate card charges in the sample of transactions we examined do all appear

to be business-related. However, we do question whether they are all necessary to accomplishing MaineHousing's mission or carrying out its activities. (See Recommendation 4.)

OPEGA also noted that MaineHousing's practices of not requiring itemized receipts and allowing delayed submissions of expense reimbursements created opportunities for duplicate reimbursements. We identified four such unintentional duplicate payments totaling $2,789 to the former Director who sometimes sought reimbursement for expenses many months after they had been incurred.

In one duplicate payment, the former Director purchased a meal in the amount of $27.35 on August 27, 2007 using her personal credit card. She submitted this expense on two separate reimbursement forms, once on October 2, 2007 and again on November 26, 2007 — three months after the expense had been incurred. The October reimbursement was supported by the itemized restaurant receipt while the November reimbursement was supported by a copy of her personal credit card statement. In both instances there were multiple other items on the expense reimbursement forms, which made it more difficult to identify the duplicate transactions. Further, one of the expense reimbursement forms spanned multiple months and trips, including expenses such as meals and lodging from July-November.

For the two largest duplicate reimbursements totaling $2,622.50, MaineHousing provided supporting documentation showing that the former Director had noticed the duplicate payments herself and repaid MaineHousing within weeks after the duplicate payments were made. In the two other cases, including the example described above, MaineHousing was unaware that a duplicate payment had been made and has since requested and received repayment from the former Director. OPEGA was able to detect these duplicate reimbursements because we were reviewing all of the former Director's expenses. We note, however, that the risk of duplicate reimbursements exists for all employees and there may be others that we did not identify.

In reviewing charges on the former Director's corporate credit card, we also observed that she often did not provide receipts to support charges on her corporate credit card within the 30 days allowed by policy. This appears to have resulted in MaineHousing incurring frequent late fees and finance charges on the corporate charge card, totaling $455 over five years.

### Recommended Management Action:

MaineHousing should update its policies to require that supporting documentation for expense reimbursements and corporate credit card charges include itemized receipts and specific descriptions of associated business purposes. It should also consistently enforce compliance with this updated policy, as well the current policy requiring that reimbursement be sought within 30 days, among all employees.

## 2 MaineHousing Should Limit the Use of Employees' Personal Credit Cards for Business Expenses

MaineHousing has an admirable goal of limiting the number of corporate credit cards available to employees. As previously mentioned, there were only two corporate credit cards for MaineHousing during the period OPEGA reviewed. Consequently, many employees used personal credit cards for travel expenses and then sought reimbursement – a fairly common and acceptable practice in any organization. We also observed instances of some employees using personal credit cards and seeking reimbursement for other types of business expenses, i.e. meeting refreshments, decorations, and non-travel business meals, with this use being infrequent or for relatively small dollar items.

OPEGA noted, however, that the purchases some employees were charging to their personal cards accumulated to dollar amounts large enough to raise concerns about possible personal benefit the employee could have obtained in the forms of cash back bonuses or other "points." In addition, some business items purchased on personal credit cards were of a nature that should have gone through a controlled purchasing process to assure best price was received and the purchase was in fact necessary.

Between 2007 and 2011, MaineHousing's Director of Information Technology (IT) was reimbursed a total of $125,076. At least $94,560 of that total was for purchases of MaineHousing computer supplies. The sample of reimbursements OPEGA reviewed showed that the IT Director charged large IT expenses to his personal credit card and, according to him, this is how he typically paid for MaineHousing business expenditures. He did not use purchase orders for these expenses because MaineHousing had given him the authority to purchase IT supplies from whatever Internet vendors offered best prices at the time, some of which would not accept purchase orders. According to MaineHousing, purchases made by the IT Director were within the limits set by MaineHousing's Delegation of Authority and he obtained the required approval for expenses above his authorized limit.

MaineHousing does have a corporate credit card, held by the Controller, for employees to use with the Controller's approval in circumstances such as these, but the IT Director reports that the aggregate purchases in a month often exceeded the corporate credit card's limit. Over time, the IT Director found paying for items with his own credit card and requesting reimbursement later was simply the easiest and most expedient way to get the computer supplies needed.

MaineHousing's former Director also frequently submitted expense reimbursement requests for business charges, despite having a corporate credit card for these purposes. She incurred corporate credit card charges totaling $34,156 over the five years and was reimbursed another $44,028 over that period - most of which appear to have been charged on her personal credit card. OPEGA asserts that the purpose of having a corporate card is often to maintain clear and efficient separation of personal and business expenses. Using both the corporate and personal cards appears to undermine this purpose, making the corporate card seem unnecessary.

Using personal credit cards for business expenses also creates the opportunity for personal gain in the form of cash back, points and other rewards. Our review of supporting documentation for the former Director's expense reimbursements show that in 2007 she consistently used a personal American Express card that gave her airline miles as rewards, and from 2008 - 2011 she consistently used a Capital One Rewards Mastercard. MaineHousing reports that the IT Director was also using a personal credit card that earned points.

#### Recommended Management Action:

MaineHousing should update its purchasing policy to specify when the use of personal credit cards for subsequent reimbursement of business expenses is appropriate, and for which employees. This policy should be crafted with the goal of limiting the use of personal cards to only those purchases that can appropriately be made without prior approval via a purchase requisition and are not of a magnitude or frequency that could result in significant personal gain for the employee. MaineHousing may also want to explore increasing the credit limit as needed on the corporate credit card held by the Controller in order facilitate purchases from Internet vendors who offer the best price but will not accept purchase orders.

3

### *MaineHousing Should Record Expenses in a Manner that Allows Efficient and Accurate Reporting of Expense Categories*

OPEGA noted that some of the MaineHousing expenses reviewed were captured in accounts that did not seem to accurately reflect the nature of the expense. One example is the expenses coded to the account entitled "Office Supplies." MaineHousing uses this account to record expenses one might traditionally think of as office supplies—such as paper, calculators, and pens—but also records expenses to this account for charges associated with its ActWell employee wellness program and for some employee benefits. OPEGA found that at least $59,090 (or 10%) of the $574,273 charged to the account over five years was for items that appeared to be mainly wellness activities or other employee benefits like food at employee gatherings or flowers.

MaineHousing explained that the number of expense account codes used has been intentionally limited in order to keep the chart of accounts from becoming overly complicated and cumbersome. OPEGA finds this a bit problematic, however, because it interferes with MaineHousing's ability to efficiently report how much it has spent in some key expense areas that are either divided among a number of accounts, or are kept together but coded with completely dissimilar expenses.

The Authority does budget to a greater level of detail. For example, the budget includes a specific line within Office Supplies for the ActWell initiative. However, because actual expenses incurred are not coded and captured to this same level of detail, budget to actual comparisons cannot be quickly generated for all line items. If a budget to actual assessment for something like ActWell is desired, MaineHousing has to search all expenses for transactions with key phrases like "ActWell" in the invoice memo field which can be populated with any text by accountants keying the transactions.

OPEGA also noted that MaineHousing sometimes records expenditures as reverse receivables when it lays out money for an event up front but expects to be reimbursed in full. An example of this is when the Authority hosted a conference for which it expected to be reimbursed in full by the attendees. Instead of recording expenditures for the conference as expenses when they were incurred, and then either recording the attendee payments as revenue or later reversing the expense when the attendees paid in full, MSHA recorded the charges associated with the conference as credits to Accounts Receivable and subsequently recorded the attendee payments as a debit to offset them. When expenditures are accounted for in this way, the amount paid and the vendors who received payment do not show up on any expense reports generated.

### Recommended Management Action:

OPEGA did not specifically review MaineHousing's accounting practices and we are not suggesting the Authority is out of compliance with any accounting standards applicable to them. However, we do recommend that MaineHousing update its account coding procedures, and expand the chart of accounts for expenses as needed, to ensure all key cost and budget areas can be easily identified via their own code. We note that some adjustments of this type will need to be made anyway in order for MaineHousing to comply with the recently enacted statute governing quasi-independent State entities. Additionally, the agency should consider whether it intends to continue the practice of fronting expenses that will be reimbursed by other parties later, and if so, should develop a standard operating procedure to ensure all such transactions are accounted for consistently and in a way that properly shows the funds expended.

4

## *MaineHousing Should Reconsider Certain Expenses When Developing and Implementing Policies to Comply with New Statute*

Recently enacted 5 MRSA §12022-1 charges the governing body of any quasi-governmental entity with ensuring the entity's expenditures are limited to those necessary to accomplish the entity's mission and carry out the entity's duties consistent with its authorizing law. Although this legislative expectation was not as clearly laid out during the time period of the expenses OPEGA reviewed (2007 - 2011), MaineHousing's governing body is expected to comply going forward.

While all of the expenses OPEGA examined did appear business-related, we noted instances where the connection to MaineHousing's mission and activities was indirect or not immediately clear. Examples include:

- Maine Inside Out – a performing arts organization that works with incarcerated individuals. MaineHousing paid this organization $800 in 2009 to perform a play on homelessness for MaineHousing staff at the annual All Staff Day. MaineHousing subsequently paid an additional $14,450 over the course of 2009 to 2011 to sponsor several Maine Inside Out projects that worked with youth at Portland High School and Long Creek Youth Development Center (LDYDC). MaineHousing's sponsorships resulted in three theatrical productions about community, homelessness, substance

abuse and discrimination with a dozen performances given in Portland area high schools and LCYDC reaching audiences of about 3,750. MaineHousing describes these sponsorships as supporting homeless youth and providing outreach to immigrant and refugee youth by raising awareness and says they counted toward fulfilling federal outreach requirements.

- GrowSmart Maine – an organization with a mission of promoting sustainable prosperity for all Mainers by integrating working and natural landscape conservation, economic growth and community revitalization. MaineHousing paid membership dues totaling $500 in 2007 and describes this membership as an effort to incentivize smart growth.

- Maine Businesses for Social Responsibility – an organization that describes itself as a statewide non-profit comprised of economic leaders and entrepreneurs who believe that practicing social responsibility makes good business sense. MaineHousing paid membership dues of $350 in 2007 and 2008, for a total of $700, and describes these funds as used to promote business community responsibility.

- Governor's Trade Mission to Japan - MaineHousing incurred $2,362 in airfare and other travel expenses for the former Director to participate in this 2009 trip which MaineHousing reports was at the Governor's request.

- Ceres Conference - MaineHousing incurred $849.87 in travel and meal expenses for the former Director to speak at this conference in 2008. According to MaineHousing this conference brought together 700 leaders from the business, investment, and environmental communities to explore and examine the integration of sustainability into business strategy and long-term shareholder value.

- National Energy and Utility Affordability Conference – the former Director was invited to be a panelist in the session titled "Regional Greenhouse Gas Initiatives: Local Benefits" (RGGI). MaineHousing reports that it received funds from RGGI that were utilized for the State-wide Governor's Weatherization Initiative. Although the former Director's conference registration fee and two nights' lodging were waived, MaineHousing still incurred $1,120 in travel expenses for her attendance at this 2009 conference.

We also noted several expense categories that might be questioned as to the appropriate and necessary level of expense given that they are not typical expenses for a State agency or are not incurred with the same frequency we observed at MaineHousing. These are:

- out of state conferences;
- sponsorships and organizational memberships;
- business meals when not in travel status, particularly when only MaineHousing employees are in attendance; and
- food and refreshments for staff at various meetings and events, including coffee and creamer provided in MaineHousing's business office.

Lastly, we noted several other one-time expenditures that might be questioned as to their reasonableness or necessity. These are:

- the purchase of $17,412 in artwork from Greenhut Galleries in conjunction with the rehabilitation of MaineHousing's office building;
- $3,500 in bonuses paid to two different vendors - $2,500 to one in 2008 and $1,000 to another in 2010; and
- registration fees, travel and meal expenses for consultants to accompany the former Director to conferences and meetings associated with MaineHousing's carbon project. One example is a 2008 Carbon Conference in New York City where the former Director was reimbursed $3,245 in expenses, some of which she incurred to cover the expenses of at least one consultant.

### Recommended Management Action:

As the MaineHousing Board and Acting Director take steps to achieve compliance with the new statute, we suggest they consider discontinuing those expenditures that are not directly connected to the Authority's mission and activities. We also suggest they revisit the types of expenses that might be viewed as unnecessary and consider whether the associated activities should be limited. Lastly, we suggest that the new or updated policies developed to comply with the statute incorporate guidance as appropriate to:

- specify whether and when business meal expenses will be paid for employees that are not in travel status; and
- distinguish those contributions (i.e. sponsorships and donations) that are specifically associated with MaineHousing's outreach or marketing efforts, particularly where those efforts are required by federal grants.

# Agency Response

In accordance with 3 MRSA §996, OPEGA provided the Maine State Housing Authority an opportunity to submit additional comments on the draft of this report. MaineHousing's response letter can be found at the end of this report.

In addition, OPEGA discussed the preceding issues and recommendations with the Authority's management in advance and MaineHousing developed action plans to address those issues. The planned management actions, as provided by MaineHousing, are summarized below. They are numbered to correspond with the issues described by OPEGA in the Recommendations section of the report.

1

**MaineHousing Should Require Timely Submission and More Detailed Support for Expense Reimbursement and Corporate Credit Card Charges**

MaineHousing has revised its expense and credit card processes to require: (1) an itemized receipt for all expenses, except for charges such as tolls, parking fees, and hotel staff tips of $5 or less; and (2) a clear explanation of the business purpose of the expenditure. In addition, reimbursements will not be made for expenditures submitted more than 60 days after they were incurred.

Title 5 §12022-5 requires MaineHousing Commissioners to adopt written policies and procedures by July 1, 2013 that, among other things, establish requirements for supporting documentation and approval of travel, meal and entertainment costs paid directly or through reimbursement. MaineHousing's documentation requirements may be further refined when the Commissioners review and adopt such policies and procedures in accordance with that statute.

2

**MaineHousing Should Limit the Use of Employees' Personal Credit Cards for Business Expenses**

MaineHousing has instituted a prohibition on employees' use of personal credit cards for business expenses other than purchases associated with approved business travel, except in the rare circumstance when use of personal credit cards to acquire goods or services is absolutely necessary.

This policy may be further refined when the Commissioners adopt written procedures and policies pursuant to 5 MRSA §12022.

3

**MaineHousing Should Record Expenses in a Manner that Allows Efficient and Accurate Reporting of Expense Categories**

MaineHousing has expanded its chart of accounts by adding seven new expense accounts and redefining six other existing expense accounts. These changes will provide more transparency at the general ledger level and will enable MaineHousing to code and report expenditures to more efficiently comply with the recently enacted statute governing quasi-independent State entities.

MaineHousing will continue to account for its transactions in accordance with generally accepted accounting principles. All payments for MaineHousing expenses will be recorded in an appropriate expense account and readily identifiable. If any future payments are required to be classified as an account receivable under generally accepted accounting principles, there will be a process for recognizing those payments under accounts receivable.

4

**MaineHousing Should Reconsider Certain Expenses When Developing and Implementing Policies to Comply with New Statute**

In accordance with 5 MRSA §12022, MaineHousing will work with its Commissioners to adopt written policies and procedures governing the use of MaineHousing resources for membership dues and fees; gifts, donations and sponsorships; travel, meals, entertainment; training and conferences; and selection of vendors. Meanwhile, new requests for payment of membership dues and fees; gifts, donations and sponsorships; meals when an employee is neither in travel status nor in a business meeting with an outside party; trainings and conferences; and out-of-state travel must first be submitted to the Acting Director and Deputy Director to ensure that all such activities and expenditures are limited to those necessary to accomplish MaineHousing's mission and to carry out MaineHousing's duties consistent with MaineHousing's authorizing law.

## Acknowledgements

OPEGA would like to thank the management and staff of the Maine State Housing Authority for their cooperation during this review.

## *Appendix A. Scope and Methods*

OPEGA's work to address the scope of this rapid response review included:

- Obtaining and analyzing a data file from MaineHousing containing all transactions from its disbursement journals for 2007 through 2011;
- Obtaining and reviewing every credit card statement from 2007 through 2011 for both of MaineHousing's corporate credit cards;
- Judgmentally selecting a sample of 1,037 expense transactions totaling $4.3 million for detailed review including:
    - all of the Executive Director's expense reimbursements;
    - a selection of individual charges from the corporate credit card statements; and
    - transactions related to 46 MaineHousing vendors mentioned as concerning in the media, at Government Oversight Committee meetings, or by any individuals who contacted OPEGA directly regarding this review;
- Reviewing all available supporting documentation on file for the 1,037 transactions selected and seeking additional information and explanations from MaineHousing where necessary;
- Physically observing and counting the gift cards that had not been distributed which were locked in a file cabinet at MaineHousing's headquarters;
- Summarizing and analyzing all expense reimbursements paid to, and all corporate credit card charges incurred by, MaineHousing's former Director;
- Analyzing MaineHousing's expenditures to identify possible duplicative payments, investigating payments that appeared duplicative, and confirming that funds had been returned for the four duplicate payments identified;
- Interviewing key MaineHousing personnel; and
- Reviewing MaineHousing's policies, employee manual sections, and other company documents concerning code of ethics, travel and meal reimbursement, professional development, and provisions to protect whistleblowers.

## *Appendix B. Payments to Select Vendors Questioned in the Media or Specifically Brought to OPEGA's Attention During this Review*

Seventy-six different vendors were mentioned in media articles or otherwise specifically brought to OPEGA's attention following MaineHousing's release of its vendor list and Payment Register for 1998 through 2010 in response to a Freedom of Access Act request. OPEGA made special effort to review payments to these vendors in the course of this rapid response review.

There were no payments made between 2007 and 2011 (the scope of OPEGA's review) for 24 of the vendors questioned in the media. Given the age of these transactions, OPEGA decided not to pursue further information on them for several reasons given on page 5 of this Report. Table 4 lists these vendors, the total payments to them, and the associated years, from data contained in the Payment Register that MaineHousing released.

Questions raised about another six of the vendors were concerning the selection of a particular vendor or dollar amount paid. These vendors provide services (i.e. advertising, marketing and consulting) that would not be unusual for MaineHousing to procure given its mission and activities. OPEGA determined it would be more appropriate to address potential concerns about vendor selection in the broader review of MaineHousing that is still on OPEGA's 2012 Work Plan as they relate more directly to MaineHousing's overall procurement process. These vendors were: Catama Film & Video, Burgess Advertising & Marketing, Climate Focus BV, Headlight Audio Visual Video, Lapchick Creative and Joseph Associates, Inc.

OPEGA examined supporting documentation for one or more payments from 2007 to 2011 for the remaining 46 vendors. Table 5 lists the transactions for those vendors that were in our sample and describes the information gleaned from our review of supporting documentation or from discussions with MaineHousing staff.

Table 4. MaineHousing Payments to Questioned Vendors With Only Payments Prior to 2007

| Vendor | Expenditures | Year(s) |
|---|---|---|
| ABRACADABRA PRODUCTIONS | $550.00 | 1999 |
| AUSTINS FINE WINE AND FOOD | $365.30 | 2002 |
| BLACK POINT INN | $12,728.79 | 1998, 1999, 2001 |
| CENTER FOR COMMUNITY CHANGE | $20.00 | 1998 |
| DJ EXTREME | $700.00 | 2002, 2003 |
| DUBE CRUISE AND TRAVEL CENTER | $37,528.17 | 2000-2002 |
| HEALING HANDS THERAPEUTIC MASSAGE | $400.00 | 2000, 2003 |
| HURLEY TRAVEL SERVICES | $35,669.70 | 2000-2002 |
| INN BY THE SEA | $5,180.39 | 2000, 2001 |
| INSTITUTE FOR PROFESSIONAL BUSINESSWOMEN | $39.00 | 2003 |
| MAINE AMATEUR SOFTBALL ASSOC. | $340.00 | 2005, 2006 |
| MAINE EQUAL JUSTICE PARTNERS | $150.00 | 2006 |
| MIGIS LODGE | $2,571.88 | 1999 |
| MONMOUTH, THE THEATER AT | $431.00 | 1998 |
| MUNCHY'S MUSIC | $950.00 | 2005, 2006 |
| NEW FOUNDATION FOR THE ARTS | $5,000.00 | 2004 |
| ON YOUR WAY TRAVEL | $4,706.36 | 1998, 1999 |
| SKOGLUND ROBERT | $750.00 | 2002 |
| SOCIETY OF WOMEN ENGINEERS | $20.00 | 1999 |
| SUNDAY RIVER SKI RESORT | $89.80 | 1998 |
| TOP FORM GYM & RACQUET CLUB | $2,280.00 | 2004-2005 |
| TRANQUILITY FARM | $1,667.00 | 1999 |
| UNITED MARTIAL ARTS ACADEMIES | $375.00 | 2002 |
| WHITEHALL INN | $2,157.82 | 2001 |

| Table 5. Questioned Vendors Included in OPEGA's Sample of Expenditures | | | | |
|---|---|---|---|---|
| Vendor | Total Payments 2007 -2011 | Total Expenses in OPEGA's Sample | Year(s) for Transactions in OPEGA's Sample | Description |
| Academy of Art University | $3,940 | $3,940 | 2007 | Tuition reimbursement toward an architect degree for a Construction Analyst |
| Are You Ready To Party? | $1,640 | $1,640 | 2008 | Tent for summer staff picnic |
| Augusta Taekwondo Center | $200 | $200 | 2011 | Self-defense class at All Staff Day |
| Chiro-Works LLC | $500 | $500 | 2010, 2011 | Spinal screenings at All Staff Day |
| Day's Travel Bureau | $76,347 | $5,121 | 2009, 2011 | Airfare for conferences and other business travel |
| Disney Destinations | $1,114 | $1,114 | 2007 | Hotel accommodations for National Weatherization training |
| Equality Maine | $125 | $125 | 2010 | MaineHousing ad in program booklet |
| Festival of Nations | $1,110 | $1,070 | 2010, 2011 | Marketing at multi-cultural performing arts festival |
| Funtown Splashtown USA | $4,172 | $3,279 | 2009-2011 | Cost of tickets repaid by employees |
| Great Falls Balloon Festival | $350 | $350 | 2010 | Booth fee to exhibit at festival in Lewiston, ME |
| Ground Round | $2,927 | $1,813 | 2007, 2008 | Food for meetings and trainings |
| Hannaford Brothers | $59,000 | $59,000 | 2008-2010 | Gift cards distributed as employee bonuses |
| Holocaust & Human Rights Ctr | $100 | $100 | 2011 | Donation associated with speaker at a Diversity Lunch 'n Learn for staff |
| Lafayette Inn By the Bay (Holiday Inn) | $450 | $450 | 2008 | Room rental for weatherization training workshop |
| Maine Adoption Placement Services | $23,761 | $23,761 | 2008, 2011 | Federal grant of operating assistance funds for homeless shelter |
| Maine Affordable Housing Coalition | $3,000 | $3,000 | 2010 | Contribution for housing choice voucher advertising campaign |
| Maine Association of Interdependent Neighborhoods | $100 | $100 | 2009 | Membership dues |
| Maine Business for Social Responsibility | $700 | $700 | 2007, 2008 | Membership dues |
| Maine Center for Economic Policy | $1,605 | $1,240 | 2007, 2008, 2011 | Membership; tax and budget conference attendance |
| Maine Initiatives | $1,750 | $1,500 | 2007, 2008, 2010 | Sponsorship of annual meeting/program outreach |
| Maine Inside Out | $15,250 | $14,450 | 2009, 2011 | Sponsorship of programs for homeless, refugee, immigrant, and incarcerated youth |
| Maine State Bar Association | $9,427 | $2,980 | 2007-2009 | Membership |
| Maine Women's Fund | $2,000 | $2,000 | 2007 | Event sponsorship/program outreach |
| Maine Women's Journal | $800 | $800 | 2007 | MaineHousing advertising |
| Maple Hill Farm Bed & Breakfast Conference Center | $14,824 | $7,443 | 2007, 2009, 2010 | Room rentals and food for training, an all staff day, and a department staff day |
| ME Chapter Physicians For Social Responsibility | $1,000 | $1,000 | 2009 | Sponsorship of climate change conference |
| Moose Ridge Associates | $1,490 | $1,130 | 2010, 2011 | Sexual harassment training, employee coaching |
| NAACP Portland Branch | $2,450 | $1,725 | 2007-2009 | MaineHousing ad in program booklet |
| National Association of Women in Construction | $434 | $434 | 2010 | Memberships |

Table 5. Questioned Vendors Included in OPEGA's Sample of Expenditures

| Vendor | Total Payments 2007 -2011 | Total Expenses in OPEGA's Sample | Year(s) for Transactions in OPEGA's Sample | Description |
|---|---|---|---|---|
| New England Resident Service Coordinator Conference | $16,975 | $8,000 | 2007, 2011 | Sponsorship of conference |
| New Hampshire Society of CPA's | $1,296 | $1,296 | 2009 | Accounting and audit trainings |
| Newforest Institute | $33,044 | $14,007 | 2008, 2009 | Energy auditor trainings |
| Northern NE Community Action | $4,000 | $3,000 | 2008, 2010, 2011 | Sponsorship of CAP conference |
| Portland Pirates | $180 | $180 | 2008 | Cost of tickets repaid by employees |
| Power Mixers DJ Service | $225 | $225 | 2008 | DJ for holiday party |
| Pushard's Okinawan Karate | $1,190 | $1,190 | 2007 | Personal protection training for field and front desk staff |
| Riverback Dance Club | $500 | $500 | 2011 | Rental of facility for all staff day |
| Sandcastle Entertainment | $110 | $110 | 2008 | Rental of snow cone and cotton candy machines for all staff day |
| Sierra Club Foundation | $100 | $100 | 2009 | Donation (employee's choice raffle prize) |
| Southern Midcoast Maine Chamber of Commerce | $2,600 | $2,600 | 2008-2010 | Booth and marketing at green/sustainability expo |
| United Church of Christ | $275 | $275 | 2009 | Facility rental for foreclosure workshop |
| Vickery Café | $8,946 | $1,214 | 2009, 2010 | Staff luncheons at a training and a meeting; business meals |
| Weight Watchers of Maine | $145 | $145 | 2010 | Group membership |
| Women In Need Industries | $4,000 | $4,000 | 2007-2009 | Marketing at multi-cultural performing arts festival |
| Women Unlimited | $2,924 | $1,716 | 2007, 2008, 2011 | Weatherization training; sponsorship |
| Women, Work, & Community | $18,282 | $8,745 | 2008-2010 | Homeownership trainings |

MaineHousing
Maine State Housing Authority

May 22, 2012

Beth Ashcroft, Director
Office of Program Evaluation and Government Accountability
82 State House Station
Augusta, Maine 04333

Dear Beth:

Thank you for the opportunity to comment on your review of selected MaineHousing expenditures. We appreciate the time and effort that you and your staff spent researching and preparing this report. In addition, I want to thank our MaineHousing staff not only for their time, but for their open and positive approach to improving how we operate. Credit also goes to our Board Chair, who is working almost full time at his volunteer job, for his leadership.

OPEGA found that overall MaineHousing expenditures were consistent with its mission and primary activities and that none of the expenses were fraudulent. Your review covered five years from 2007 through 2011 and looked at 1,037 individual transactions totaling $4.3 million. You assessed these expenditures in the context of LD 1843 which takes effect later this summer and requires our Commissioners to adopt related policies and procedures by December 31, 2012. LD 1843 requires greater transparency and Board and legislative oversight of the quasi-independent agencies in the areas of procurement, membership dues and fees, gifts, donations, sponsorships, travel, meals, and entertainment.

This has been a helpful and useful exercise that led us to re-evaluate our policies and procedures. As a result of the review, you offer four recommendations. We have carefully and thoroughly reviewed and considered the points you raise in the report and your recommendations. As detailed in the Agency Response section of your report, we have implemented changes addressing each of the four recommendations. In addition, our staff has started to prepare the policies required by LD 1843 for consideration by our Commissioners.

MaineHousing is in a period of transition. Five of our ten Commissioners were new to MaineHousing in 2011, and four of those were appointed in October of 2011. MaineHousing's former Director resigned on March 20, 2012, and the Governor has a search team in place to find a new Director.

Our Commissioners have sought greater transparency from MaineHousing and we have been responsive to that. The power of the Commissioners will increase under LD 1778. Previously, many powers and duties of MaineHousing were vested solely with the Director, who could only be removed by the Governor for cause. Under the new statute, all of the powers and duties of MaineHousing will be vested with the Commissioners who will be responsible for overseeing the performance of the Director. The requirements under LD 1843 and the suggestions in this report are consistent with the approach of our Commissioners and MaineHousing's new governance structure.

We look forward to working with you on the next review.

Sincerely,

Peter Merrill
Acting Director

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